

Message Text

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ORIGIN EB-08

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FM SECSTATE WASHDC
TO AMEMBASSY SAN JOSE PRIORITY
INFO AMEMBASSY TAIPEI
USMISSION GENEVA

C O N F I D E N T I A L STATE 016398

TAIPEI FO TEXTILE DEL, GENEVA FOR PHELAN

E.O. 11652:GDS

TAGS: ETRD, CS

SUBJECT:TEXTILES

1. WHEN U.S. IMPORTS OF A PARTICULAR TEXTILE PRODUCT OR
PRODUCTS FROM ANOTHER COUNTRY CAUSE MARKET PROBLEMS, THE
UNITED STATES SEEKS CONSULTATIONS WITH THAT COUNTRY PURSUANT
TO THE PROVISIONS OF THE GATT MULTIFIBER ARRANGEMENT (MFA).
(THE U.S. IS A SIGNATORY OF THE MFA; COSTA RICA IS NOT.)
IN THIS REGARD, WE WOULD LIKE TO CONSULT WITH GOCR AT THE
EARLIEST POSSIBLE OPPORTUNITY, IN ORDER TO DISCUSS
COSTA RICAN EXPORTS OF BRAS TO THE UNITED STATES.
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2. COSTA RICAN MAN-MADE FIBER BRA EXPORTS TO THE
UNITED STATES HAVE DOUBLED SINCE 1975 REACHING A LEVEL OF
ALMOST 5 MILLION SQUARE YARDS EQUIVALENT (SYE) FOR THE YEAR
ENDING NOVEMBER 30, 1977. AT THIS LEVEL, COSTA RICA HAS A
10 PERCENT SHARE OF THE U.S. IMPORT MARKET FOR MAN-MADE
FIBER BRAS AND IS THE FOURTH LARGEST U.S. SUPPLIER OF THAT

PRODUCT. THE THREE LARGEST SUPPLIERS, THE PHILIPPINES, MEXICO AND HONG KONG ARE CURRENTLY LIMITING THEIR SHIPMENTS OF MAN-MADE FIBER BRAS TO THE U.S. SINCE 1967, U.S. IMPORTS OF MAN-MADE FIBER BRAS FROM ALL COUNTRIES

HAVE GROWN FROM 2.8 PERCENT TO 42 PERCENT OF U.S. DOMESTIC PRODUCTION. AT THE SAME TIME, U.S. PRODUCTION OF BRAS HAS DECREASED ABOUT 10 PERCENT AND EMPLOYMENT IN THAT INDUSTRY HAS DECLINED ABOUT 25 PERCENT.

3. A U.S. TEXTILE TEAM WILL BE IN BRAZIL AND COLOMBIA IN LATE FEBRUARY AND COULD STOP IN SAN JOSE LATTER PART OF WEEK OF FEBRUARY 27 FOR CONSULTATIONS REGARDING THIS PROBLEM, AND TO EXPLORE WAYS TO ENSURE THAT THE FUTURE GROWTH OF THESE EXPORTS WILL BE ORDERLY. THIS COULD BE ACCOMPLISHED THROUGH A SIMPLE BILATERAL AGREEMENT PROVIDING FOR CONSULTATIONS ON TEXTILE TRADE PROBLEMS AS THEY ARISE, AND SETTING A LIMIT TO THE GROWTH OF BRA EXPORTS FROM COSTA RICA TO THE U.S. OVER THE NEXT FEW YEARS. THE PROPOSED CONSULTATIONS COULD EXPLORE THIS CONCEPT AND ANY OTHER MEANS OF RESOLVING THE PROBLEM EITHER COUNTRY MIGHT SUGGEST.

4. PLEASE DISCUSS WITH THE APPROPRIATE GOCR OFFICIALS THE PROBLEM OUTLINED ABOVE, AND INQUIRE WHETHER LATE IN WEEK OF FEBRUARY 27 WOULD BE CONVENIENT FOR BILATERAL CONFIDENTIAL

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CONSULTATIONS IN SAN JOSE. IF THAT TIMING IS IMPOSSIBLE, PLEASE DETERMINE WHAT OTHER DATES WOULD BE FEASIBLE FOR CONSULTATIONS IN SAN JOSE OR WASHINGTON, D.C. IN FEBRUARY OR MARCH.

5. IF FOR ANY REASON WE ARE UNABLE TO CONSULT AND/OR AGREE WITH THE GOCR ON A MEANS OF RESOLVING THIS TRADE PROBLEM, WE WOULD CONSIDER UNILATERALLY LIMITING COSTA RICAN BRA EXPORTS TO THE UNITED STATES IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 3 OF THE MFA. THIS WOULD LIMIT TRADE TO PRESENT LEVELS WITH PROVISION FOR 6 PERCENT ANNUAL GROWTH. IN CONTRAST, PURSUANT TO THE PROVISIONS OF ARTICLE 4 OF THE MFA, THE OVERALL TERMS OF ANY BILATERAL AGREEMENT WOULD BE MORE LIBERAL REGARDING BASE LEVELS AND GROWTH RATES. CHRISTOPHER

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